

BITCOIN GROUP SE*5a,11

Rating: BUY

Target price: € 50.00
(previously: € 80.00)

current price: 20.34
06.12.22 / XETRA / 3:02 p.m.
Currency: EUR

Stock data:

ISIN: DE000A1TNV91
WKN: A1TNV9
Stock exchange symbol: ADE
Number of shares³: 5.00
Marketcap³: 101.70
EnterpriseValue³: 23.50
³ in million / in EUR million
Free float: < 75.0 %

Market segment:
Over-the-counter

Accounting:
IFRS

Designated Sponsor:
BankM AG

Financial year: 31.12.

Analysts:

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Date and time of completion of
the study: 08.12.22 (09:45)
(German version: 06.12.2022
(17:26))

Date and time of the first dis-
closure of the study:
08.12.22 (11:00)
(German version: 07.12.2022
(10:00))

Validity of the target price: until
max. 31.12.2023

* Catalog of possible conflicts
of interest on page 6

Company profile

Industry: Software

Focus: Holding in the field of cryptocurrencies

Employees: 28 Status: 31.12.2021

Foundation: 2008

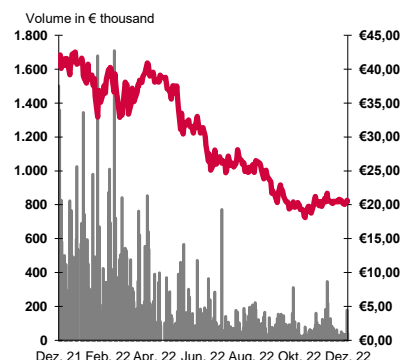
Headquarters: Herford

Management Board: Marco Bodewein, Michael Nowak,
Per Hlawatschek

Bitcoin Group SE is a holding company focused on innovative and disruptive business models and technologies from the cryptocurrency and blockchain sectors.

Bitcoin Group SE holds 100% of the shares in futurum bank AG, which operates a trading platform for digital currencies such as Bitcoin, Bitcoin Cash, Bitcoin Gold, Ethereum and others under Bitcoin.de in addition to classic securities services, as well as 50% of the shares in Sineus Financial Services GmbH, a financial services provider.

The company's goal is to build up a portfolio of investments through further acquisitions that meets the requirements of investors in terms of risk diversification and potential returns.



P&L in EUR million \ FY-end	31.12.2020	31.12.2021	31.12.2022e	31.12.2023e
Sales	15.03	25.39	7.00	12.00
EBITDA	10.55	19.75	1.68	5.27
EBIT	13.54	19.74	-3.46	5.13
Net income	9.52	13.37	-3.50	5.10

Key figures in EUR

Earnings per share	1.90	2.67	-0.70	1.02
Dividend per share	0.00	0.00	0.10	0.10

Key figures

EV/Sales	1.56	0.93	3.36	1.96
EV/EBITDA	2.23	1.19	14.01	4.46
EV/EBIT	1.74	1.19	-6.78	4.58
KGV	10.68	7.60	-29.05	19.96
KBV		0.67		

Financial Calendar

**latest research from GBC:

Date: Publication / Target price in EUR / Rating

08/11/2022: RS / 80.00 / BUY

11/02/2021: RS / 120.00 / BUY

03/31/2021: RS / 120.00 / BUY

** Research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

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Business performance HY1 20 21

in € million	HY1 2020	HY1 2021	HY1 2022
Revenues	6.23	17.70	5.60
EBITDA	4.18	14.44	2.74
<i>EBITDA margin</i>	<i>67.1%</i>	<i>81.6%</i>	<i>48.9%</i>
EBIT	5.04	14.03	-2.24
<i>EBIT margin</i>	<i>81.0%</i>	<i>79.2%</i>	<i>-39.9%</i>
Net income	3.51	10.17	-2.21
EPS in €	0.70	2.03	-0.44

Sources: Bitcoin Group SE, GBC AG

In the first half of 2022, Bitcoin Group SE's revenues decreased by -68.3% to € 5.6 million (PY: € 17.7 million). The decline in revenues is due to low trading activity. In our opinion, a major factor for such low trading activity is the price decline of almost all cryptocurrencies. However, this development is taking place in parallel with almost all asset classes. Due to high inflation, central banks have raised key interest rates which, in addition to the weaker economy, has led to liquidity shortages and price declines. The situation is further exacerbated by global supply chain difficulties and geopolitical tensions, including the Ukraine conflict. As a result, the Bitcoin price also decreased by 54.5% to € 18.56k as of June 30, 2022 (January 1, 2022: € 40.78k). Ethereum, as the world's second most important cryptocurrency, also shows a price decline of 70.6% to € 958 in the same period (01.01.2022: € 3,254). The partly disproportionate decline of individual cryptocurrencies compared to the traditional capital market can probably be explained by the increasing risk aversion of investors, who initially reduce or completely eliminate positions in the riskier investments.

The decline in sales is reflected in a disproportionate decline in EBITDA, which fell by 81% to € 2.74 million (previous year: € 14.44 million). Among other things, write-downs of cryptocurrencies in the company's own portfolio resulted in write-downs of € 4.98 million (previous year: € 0.42 million). As a result, EBIT fell to € -2.24 million (previous year: € 14.03 million). Similarly, the result for the period also decreased to € -2.21 million (previous year: € 10.17 million).

Balance sheet and financial situation as of June 30, 2022

in € million	31.12.2022	31.12.2021	30.06.2022
Equity	80.15	151.65	80.44
Equity ratio (in %)	73.7%	73.0%	74.7%
Operating fixed assets	1.57	1.50	1.46
Working capital	-4.12	-6.69	-5.45
Net cash	12.02	20.57	19.66

Sources: Bitcoin Group SE, GBC AG

Equity decreased by 30.2% to € 80.44 million (December 31, 2021: € 151.65 million) due to impaired crypto equity. Nevertheless, the equity ratio remained slightly above the level at the end of fiscal year 2021 at 74.7% (December 31, 2021: 73.0%). Thus, the company continues to be very well positioned in balance sheet terms.

Due to the price losses of cryptocurrencies, crypto own holdings decreased to € 80.21 million (12/31/2021: € 181.08 million). Less deferred tax liabilities of € 19.30 million (December 31, 2021: € 48.65 million), net crypto equity was thus € 60.92 million (December 31, 2021: € 132.43 million).

Forecast and evaluation

Income statement (in € million)	FY 2021	FY 2022e	FY 2022e	FY 2023e	FY 2023e
		old	new	old	new
Revenues	25.39	14.57	7.00	18.94	12.00
EBITDA	19.75	9.25	1.68	13.17	5.27
EBITDA margin	77.8%	63.5%	24.0%	69.5%	43.9%
EBIT	19.74	-0.89	-3.46	13.03	5.13
EBIT margin	77.8%	-6.1%	-49.5%	68.8%	42.8%
Net income	13.37	-0.63	-3.50	8.81	5.10
EPS in €	2.67	-0.13	-0.70	1.76	1.02

Source: GBC AG

Sales forecast

Due to the significantly clouded capital and crypto markets, the company has adjusted its guidance. Thus, the management of Bitcoin Group SE now expects sharply declining revenues and an EBITDA in the lower single-digit million range. Previously, the guidance was for slightly declining revenues and EBITDA in the upper single-digit million range. We also assume that there will be no short-term recovery on the capital markets in the current fiscal year and have adjusted our forecast. We expect revenues of € 7.0 million for the current fiscal year 2022 (previously: € 14.57 million), followed by € 12.0 million (previously: €18.94 million) for the following fiscal year 2023.

We assume that the business model of Bitcoin Group SE is promising in the medium and long term and only marginally adjust our margin assumptions in the DCF model. The company is uniquely positioned in the German market in particular and was the first German provider to offer crypto-to-crypto trading opportunities on its platform. In addition, with its German headquarters and BaFin regulations with a banking license, it offers the greatest possible regulatory security and transparency from the customer's perspective. With rising crypto markets and high media attention, Bitcoin Group has always been able to benefit disproportionately from these trends. We expect that with an improvement of the market development, Bitcoin Group SE will also be able to participate disproportionately in this development again.

Furthermore, the company could grow further via M&A transactions. A company announcement was published on October 20, 2022, stating that the company is in takeover negotiations with potential targets, including Bankhaus von der Heydt.

In addition, the recent decision at the Annual General Meeting on July 1, 2022 has laid the foundation for a dividend stock. A sustainable dividend policy is to be pursued and an initial dividend of € 0.10 per share paid.

Earnings forecast

The revenue development should also be reflected in the results and we expect EBITDA of € 1.68 million in the current fiscal year 2022 (previously: € 9.25 million), followed by € 5.27 million (previously: € 13.17 million) in 2023. For the coming fiscal year, we assume that there will be no further impairments of the crypto equity and expect a net result in the current fiscal year 2022 of € -3.5 million (previously: € -0.63 million), followed by € 5.1 million (previously: € 8.81 million) in fiscal year 2023.

Evaluation

Model assumptions

Bitcoin Group SE was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2022 - 2023 in phase 1, the forecast is made from 2024 to 2029 in the second phase by applying value drivers. We expect sales to increase by 15.0%. We have set a target EBITDA margin of 70.6% (previously: 75.6%). We have included a tax rate of 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value, we assume a growth rate of 2.0%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Bitcoin Group SE is calculated from the cost of equity and the cost of debt. For the calculation of the cost of equity, the fair market premium, the company-specific beta as well as the risk-free interest rate have to be determined.

The risk-free interest rate is determined in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW (German Institute of Auditors) on the basis of current interest rate structures. Curves for risk-free bonds were derived. The basis for this is provided by the Deutsche Bundesbank published zero bond interest rates according to the Svensson method. The average yields of the previous three months are used to smooth short-term market fluctuations. The risk-free interest rate we use is 1.25% (previously: 0.6%)

We set the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the stock market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.39 is currently determined.

Using the assumptions made, we calculate a cost of equity of 8.91% (previously: 8.26%) (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of 100% for the cost of equity, the weighted average cost of capital (WACC) is 8.91% (previously: 8.26%).

As of June 30, 2022, crypto equity stood at € 80.21 million. Less deferred tax liabilities of € 19.29 million, the net crypto inventory is € 60.92 million.

Valuation result

As part of our DCF valuation model, we have determined a new target price of € 50.00 (previously: € 80.00).

The background to the reduced price target is, on the one hand, the lower forecast for the current fiscal year 2022 and for fiscal year 2023 and, on the other hand, the increased risk-free interest rate.

DCF model

Bitcoin Group SE - Discounted Cash Flow (DCF) Consideration

Value drivers of the DCF model after the estimate phase:

consistency - phase		final - phase	
Sales growth	15.0%	Perpetual sales growth	2.0%
EBITDA margin	70.6%	Perpetual EBITA margin	70.1%
AFA to operating fixed assets	8.0%	Effective tax rate in terminal value	30.0%
Working capital to sales	40.0%		

three-stage DCF - model:

Phase in EUR mil- lion	estimate		consistency						final Final value
	GJ 22e	GJ 23e	GJ 24e	GJ 25e	GJ 26e	GJ 27e	GJ 28e	FY 29e	
Sales (US)	7.00	12.00	13.80	15.87	18.25	20.99	24.14	27.76	
US change	-72.4%	71.4%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	2.0%
US to operating fixed assets	4.38	7.41	8.36	9.45	10.67	12.06	13.64	15.42	
EBITDA	1.68	5.27	9.75	11.21	12.89	14.83	17.05	19.61	
EBITDA margin	24.0%	43.9%	70.6%	70.6%	70.6%	70.6%	70.6%	70.6%	
EBITA	-3.46	5.13	9.62	11.08	12.76	14.69	16.91	19.47	
EBITA margin	-49.5%	42.8%	69.7%	69.8%	69.9%	70.0%	70.1%	70.1%	70.1%
Taxes on EBITA to EBITA	0.00	0.00	-2.89	-3.32	-3.83	-4.41	-5.07	-5.84	
EBI (NOPLAT)	-3.46	5.13	6.73	7.76	8.93	10.28	11.84	13.63	
Return on investment	66.8%	95.1%	-199.2%	200.4%	191.3%	184.0%	177.9%	-172.8%	149.4%
Working capital (WC)	-7.00	-5.00	-5.52	-6.35	-7.30	-8.40	-9.65	-11.10	
WC to turnover	-100.0%	41.7%	-40.0%	-40.0%	-40.0%	-40.0%	-40.0%	-40.0%	
Investments in WC	0.31	-2.00	0.52	0.83	0.95	1.10	1.26	1.45	
Operating assets (OAV)	1.60	1.62	1.65	1.68	1.71	1.74	1.77	1.80	
AFA on OAV	-5.14	-0.14	-0.13	-0.13	-0.13	-0.14	-0.14	-0.14	
AFA to OAV	321.3%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Investments in OAV	-5.24	-0.16	-0.16	-0.16	-0.16	-0.17	-0.17	-0.17	
Invested capital	-5.40	-3.38	-3.87	-4.67	-5.59	-6.66	-7.88	-9.30	
EBITDA	1.68	5.27	9.75	11.21	12.89	14.83	17.05	19.61	
Taxes on EBITA	0.00	0.00	-2.89	-3.32	-3.83	-4.41	-5.07	-5.84	
Total investments	-4.92	-2.16	0.36	0.67	0.79	0.93	1.09	1.28	
Investments in OAV	-5.24	-0.16	-0.16	-0.16	-0.16	-0.17	-0.17	-0.17	
Investments in WC	0.31	-2.00	0.52	0.83	0.95	1.10	1.26	1.45	
Investments in goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-3.25	3.11	7.22	8.55	9.85	11.35	13.07	15.05	203.83

Value of operating business (reporting date)	158.23	169.22
Present value of explicit FCFs	46.09	47.08
Present value of the continuing value	112.15	122.14
Net debt	-78.20	-80.78
Value of equity	236.44	250.00
Minority interests in profits	0.00	0.00
Value of share capital	236.44	250.00
Shares outstanding in millions	5.00	5.00
Fair value of the share in EUR	47.29	50.00

Cost of Capital Determination:

Risk-free return	1.3%
Market risk premium	5.5%
Beta	1.39
Cost of equity	8.9%
Target weighting	100.0%
Cost of debt	6.5%
Target weighting	0.0%
Tax shield	25.0%
WACC	8.9%

Return on invest- ment	WACC				
	8.3%	8.6%	8.9%	9.2%	9.5%
-149.9%	53.32	51.62	50.08	48.68	47.39
-149.7%	53.27	51.58	50.04	48.64	47.36
-149.4%	53.22	51.53	50.00	48.60	47.32
-149.2%	53.18	51.49	49.96	48.56	47.28
-148.9%	53.13	51.45	49.92	48.52	47.25

APPENDIX

I.

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2. The research report shall be made available simultaneously to all investment service providers interested therein.

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The respective recommendations/classifications/ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is > - 10% and < + 10%.
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Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

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